

# CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Citizens Community Bank

Point of Contact:	James R. Black, CFO	RSSD: (For Bank Holding Companies)	0
UST Sequence Number:	164	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	3,000,000	FDIC Certificate Number: (For Depository Institutions)	35326
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	N/A	City:	South Hill
Date Repaid <sup>1</sup> :	N/A	State:	Virginia

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

In essence, by having the additional capital cushion this has allowed Citizens Community Bank a greater ability to support lending efforts in the sluggish local economy.

☐ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

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☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

☒ Increase reserves for non-performing assets.

The capital proceeds have provided Citizens Community Bank a larger capital cushion to support an increase in non-performing assets.

☐ Reduce borrowings.

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☒ **Increase charge-offs.**

For 2010, the proceeds has provided a greater capital cushion to support an increase in charge-offs.

☐ **Purchase another financial institution or purchase assets from another financial institution.**

☐ **Held as non-leveraged increase to total capital.**

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### What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The Bank has been able to provide a greater return to its shareholders and community, by not having to raise equity at extremely high costs due to the capital markets being extremely challenging for small community banks, like ourselves. The proceeds have also provided greater financial and regulatory strength to our bank.

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### What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Without the capital infusion of CPP funds, we may have had to access capital markets at extremely high rates. As a result of not taken this action, it has added additional value to the bank and community during this challenging economic period.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

None noted for 2010.